

December 18, 1998

QUESTIONS AND ANSWERS ON OMB CIRCULAR A-133 AS IT RELATES TO
U. S. DEPARTMENT OF EDUCATION PROGRAMS

The following guidance was issued by the U.S. Department of Education, Office of Inspector General (ED/OIG) to clarify OMB Circular A-133 audit requirements at they relate to Education programs. The opinions expressed in this document are solely that of ED/OIG and are not intended to reflect that of OMB or other Federal agencies.

There are several issues regarding U. S. Department of Education programs under OMB Circular A-133. This document clarifies some of those issues. As other issues are clarified they will be appended to this document. Readers are advised to note the date of this document and periodically check the date of this document. The title of this document will not change; however, the date on the title of this document will change as additional clarifying guidance concerning ED programs are added. Two issues not addressed by this document but are expected to be clarified in the near future are: (1) close out audits, and (2) reporting language when an institution uses a servicer. Clarifying guidance on other issues follows.

1. Institutional eligibility is not included in the A-133 Compliance Supplement. The Code of Federal Regulations, 34 Part 600.7(g) states that the certified public accountant who audits the financial statements must also perform an attestation engagement to substantiate the required calculations in paragraph (a)(1) of this part. Does A-133 compliance supplement supercede the attestation engagement audit requirement?

Yes. The A-133 compliance supplement supercedes the attestation engagement audit requirement in 600.7(g). The attestation engagement audit report is not required if an A-133 audit is performed. Under the current A-133 Compliance Supplement, institutional eligibility is not required to be tested.

2. *Schedule of Expenditures of Federal Awards.* What amounts are reported for the Federal Family Education Loan (FFELP), the William D. Ford Direct Loan Program and the Federal Perkins Loan Programs?

Circular A-133 and the AICPA Statement of Position 98-3, 5 .13 state that loans may be reported in the Schedule of Expenditures of Federal Awards or in the notes to the Schedule, although the Schedule is preferable. The amounts reported for FFELP and the William D. Ford Direct Loan Programs are the gross amount of the loans approved **by the institution** during the audit period. Circular A-133, . __205(b) is quite clear regarding the amount shown for the Federal Perkins Loan program. The value shown is the value of new loans made during the fiscal year, plus the balance of loans from previous years, plus the administrative cost allowance received.

3. Are the SF-SAC, Reporting on Audits of States, Local Governments and Non-Profit Organizations, instructions (Part iii - Federal Programs, Item 6 - Federal Awards Expended, Column (c)) correct in asking for the outstanding balances for the loan programs?

Yes. For the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan program only the gross amount of the loans administered by the institution during the audit period are entered. For the Federal Perkins Loan program, the total of the administrative cost allowance plus the value of the loan portfolio is entered.

4. If an institution wants to cease participation in the Federal Perkins Loan Program, where can information be obtained on how to do this?

Procedures for an Institution To Liquidate Its Federal Perkins Loan Program was published in April 1995. It is available on the Internet at:
<http://home.gvi.net/~edoig> Go the section SFA Audits, School/School Servicer Audits. NOTE: This publication has been superceded by Campus Based Letter CB-98-11 (LD) dated July 1998. That letter is not available on the previously listed Internet website because there are instructions in that letter regarding a close out audit that conflict with the Single Audit Act and OMB Circular A-133. When that conflict is resolved, the guidance will be posted on the previously listed Internet website.

5. The *Student Financial Aid Encyclopedia* is a vital source of information on program requirements. Is this publication available to anyone other than financial aid administrators?

Yes. The Student Financial Aid Encyclopedia is published by the National Association of Student Financial Aid Administrators (NASFAA). The publication is available to members and non-members alike in either paper or CD-ROM. Contact NASFAA at:

National Association of Student Financial Aid Administrators
1920 L Street, NW Suite 200
Washington, DC 20036

Telephone: (202) 785-0453, extension 118 or 127

Internet address: www.nasfaa.org

look under members or prospective members for information on publications.

6. The standard of proof regarding eligibility of graduate students is unclear. Does an institution have to have proof of a student having an undergraduate degree before awarding aid to a student at the graduate level?

The institution has to have proof that the student met the admission requirements for the graduate level program. Whatever documents are required by the institution for admission to the graduate program must be in the student's file. To award Title IV student financial assistance, a Free Application for Student Financial Assistance must be submitted to the central processor. The institution must consider the resultant expected family contribution on the output document when awarding Title IV student financial assistance.

7. What is the Catalog of Federal Domestic Assistance number for the School-To-Work program?

For grants funded by the U. S. Department of Education, 84.278; for grants funded by the U. S. Department of Labor use Education's CFDA number, 84.278 (per May 1998 OMB Compliance Supplement).

8. Section .400(c)(5) of OMB Circular A-133 requires a federal agency to resolve audit findings within six months after receipt of the audit report. Circular A-50 requires program specific audit report findings to be resolved within six months after receipt of the audit report. From what date is the six months measured?

For A-133 audit reports, the six months starts when ED receives a copy of the A-133 audit report from the Single Audit Clearinghouse. The cognizant Federal audit agency may send an assurance letter to the other Federal Agency Single Audit Contacts advising them the audit meets applicable single audit requirements; however, the date of that letter does not start the six month period for audit resolution.

Likewise, for program specific audit reports, the six months starts the date that ED accepts the program specific audit report as meeting reporting requirements. Institutions submitting program specific audits are sent an acceptance letter.

9. Does an A-133 audit report satisfy the requirement for submission of financial statements for financial responsibility?

Yes, once the required number of copies have been submitted to the Single Audit Clearinghouse.

10. In determining the dollar threshold Type A programs, what amount is used for the Federal Perkins Loan Program?

The administrative cost allowance and the value of the Federal Perkins Loan portfolio are added to all the other Student Financial Aid program expenditures to determine the total expenditures for the student financial aid cluster. However, the auditor must use professional judgment in determining whether the Federal Perkins Loan program *significantly affects* the number or size of Type A Programs. The auditor should review the guidance in paragraph 7.7 of the

AICPA's Statement of Position 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards and __.520(b)(3) of OMB Circular A-133.

11. Did the Higher Education Act (HEA) Amendments of 1998 change the athletic audit requirement set forth in Section 668.14 (d) of Title 34 Code of Federal Regulations?

Yes. Effective October 1, 1998, the HEA Amendments of 1998 repealed the athletic audit requirement set forth in 34 CFR Section 668.14 (d)(1), but did not repeal the requirement that the intercollegiate athletic revenues and expenses be compiled annually.

The regulations, which were effective July 1, 1994, required an annual compilation of revenues and expenses from men's and women's intercollegiate athletic activities, and at a minimum, that every third year's intercollegiate athletic revenues and expenses be audited. The audit report previously required was to be issued to the institution and made available for inspection by the U.S. Secretary of Education and where allowable by State law, the public.

The HEA repealed the audit requirement, and moved the annual compilation requirement, slightly modified, from section 487 (Program Participation Agreements) to section 485(g) (Equity in Athletics Disclosure Act). Now, on an annual basis, each coeducational institution of higher education that participates in any title IV, HEA program, and has an intercollegiate athletic program, must prepare a report of the information described in section 485(g)(1), and upon request, make the report available to students, potential students, and the public (and must inform students of their right to request the information).

Also, an institution must provide to the Secretary the information contained in the report within 15 days of the date the institution makes the report available for viewing upon request. The Secretary will prepare and submit a report to Congress by April 1, 2000, based on the information received.